Chapter IX
RESUME'

Business concerns are facing severe competition in the present world of liberalized economy. The survival, growth and organizational success greatly depend on the efficient management of its finance. Company form of organizations are no exception to it. It is needless to say that the role and importance of company form of organizations in the economic development of a nation like India. But now a days business failure in corporate sector is a world wide phenomenon. It is no exception to India. The business failures in India have been increasing day-by-day. So the present study entitled, "Financial Management in NRB Bearing Company Limited" has been undertaken with a view to highlight the importance of an efficient financial management in a manufacturing company.

The various aspects of financial management such as capital structure management, Fixed Assets management, Working Capital management, Dividend Policy etc., in NRB Bearings Company Limited have been dealt with six chapters apart from introductory chapter and profile of the company. The present chapter Resume' consolidates all the observations made in the previous chapters which are as follows:
9.1 Findings

9.1.1 Regarding Capital Structure Management

- The NRB Bearings Company Limited has followed a sound capital structure policy. Its owned capital has dominated the long-term debt all over the years under study. It depends more on internal equity than external equity.

- Reserves and Surplus of NRB Bearings Company Limited have been increasing at a great rate. This is evident from the growth rate of 621.88 per cent or 6.22 times over ten year periods under study.

- The solvency position both long-term as well as short-term, of NRB Bearings Company Limited has been very sound. This fact has been verified by debt- equity ratio and debt to total capital ratio. It has a low average debt equity ratio of 0.70 and a low average debt to total capital of 50.75 per cent.

- There is a low financial leverage. Its implications for the shareholders are that debt has not been exploited to the extent of optimum level so as to avail the benefit of trading on equity. This is evident from the low-average debt-equity ratio of 0.70 and the low average debt to total capital ratio of 50.75 per cent.
9.1.2 Regarding Fixed Assets Management

- As regards the level of investment in fixed assets, the NRB Bearings Company Limited, has been maintaining a reasonable level of investment. This is evident from the level of investment in fixed assets ranging from 50 per cent to 53 per cent in total assets.

- Concerning the pattern of financing fixed assets from the point of view of creditors, there is a margin of safety since the funds provided by the owners are sufficient to finance fixed assets as well as working capital requirements. This fact has been verified by fixed assets to net worth ratio of NRB Bearings Company Limited. It has a low average ratio of 0.90 which is much below the standard norm. Besides, the long-term funds are adequate enough to finance fixed assets as well as a part of its working capital requirements. This is evident from the low average fixed assets to long-term funds ratio of 0.56.

- As regards the utilization of fixed assets, the efficiency of management, of NRB Bearings Company Limited is very poor. There is presence of idle capacity in the production of bearings i.e., the company has an excessive investment in fixed assets in comparison to the volume of sales. This fact
has been verified by the fixed assets turnover ratio. It has a low average fixed assets turnover ratio of 2.03 which is much below the standard norm of 5 times.

• As far as depreciation is concerned, the NRB Bearings Company Limited has provided adequate depreciation. This is evident from the trend of both gross block as well as depreciation increased, from 100 per cent to 283.74 per cent in and from 100 per cent to 346.15 per cent respectively during the period under study.

9.1.3 Regarding Working Capital Management

• As regards the level of investment in working capital, there is excess investment in current assets resulting excess liquidity, low profitability with low risk since the management of NRB Bearings Company Limited has been following a conservative investment policy throughout the period under study. This fact has been verified by the high current assets to total assets ratio which is above 50 per cent in all the years under study. The average of this ratio is also 56.52 per cent.

• Regarding the components of working capital, there is over-investment in inventories and sundry debtors and under-investment in cash and bank balances and loans and
advances. This is evident from the average investment of 42 per cent in inventories, 39 per cent in sundry debtors, 12.50 per cent in loans and advances and 4.30 per cent in cash and bank balances when compared to the average annual growth rate of sales of 13.55 per cent.

- Concerning the pattern of financing working capital, the NRB Bearings Company Limited has been following a conservative financing policy which relies less on short-term funds and more on long-term funds resulting low risk- low profit (a high cost, high net working capital). This fact has been verified by very low short-term funds to total funds ratio. The average of this ratio is 20.03 per cent which is also very low.

- As far as the liquidity position is concerned, the NRB Bearings Company Limited has been maintaining a very sound liquidity position more than required owing to excess investment in currents assets or in liquid assets as the case may be. This is evident from the high current ratio and the high liquid ratio. The average current ratio is 2.96 which is also more than the standard norm. The average liquid ratio is 1.54 which also more than the standard.

- As regards the utilization of current assets, there is no study improvement in the efficiency of managing inventories,
debtors and working capital. These facts have been verified by the fluctuating inventory turnover ratio, debtors turnover ratio and working capital turnover ratio respectively throughout the period under study.

9.1.4 Regarding Dividend Policy

- The NRB Bearings Company Limited has been adopting a liberal Dividend policy but slightly fluctuating trend. This is evident from a high dividend pay-out ratio and a high dividend to paid-up capital ratio. The average is 35.89 per cent in the case of dividend pay-out ratio and the average is 37.20 per cent in the case of dividend to paid-up capital ratio.

9.1.5 Regarding Profitability

- The profitability of NRB Bearings Company Limited has been in a better position but slightly fluctuating trend. This fact has been verified by return on gross capital employed ratio (average 8.28 per cent), return on net capital employed ratio (average 10.41 per cent), return on average capital ratio (average 17.03 per cent), net profit to capital employed ratio (average 15.99 per cent) and net profit ratio of 9.60 per cent.
9.1.6 Results of Hypotheses Tested

- **Hypothesis No 1:** There is no significant relationship between Net worth and Fixed Assets (Net).
  The calculated value of 't' is 11.3. The tabulated value of t at 0.05 significance level is 1.860. Therefore, the null hypothesis is rejected. It is concluded that there is a significant relationship between net worth and assets.

- **Hypothesis No 2:** There is no significant relationship between Long-term funds and Fixed Assets (Total).
  The calculated value of 't' is 8.60. The tabulated value of t at 0.05 significance level is 1.860. Therefore, the null hypothesis is rejected. It is concluded that there is a significant relationship between Long-term funds and Fixed Assets.

- **Hypothesis No 3:** There is no significant relationship between Current liabilities and current Assets.
  The calculated value of 't' is 4.56. The tabulated value of t at 0.05 significance level is 1.860. Therefore, the null hypothesis is rejected. It is concluded that there is a significant relationship between Current liabilities and current Assets.

- **Hypothesis No 4:** There is no significant relationship between Paid-up capital and Dividend.

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The calculated value of \( t \) is 5.24. The tabulated value of \( t \) at 0.05 significance level is 1.860. Therefore, the null hypothesis is rejected. It is concluded that there is a significant relationship between Paid-up capital and Dividend.

- **Hypothesis No 5**: There is no significant relationship between Net sales and Net profit.

The calculated value of \( t \) is 2.36. The tabulated value of \( t \) at 0.05 significance level is 1.860. Therefore, the null hypothesis is rejected. It is concluded that there is a significant relationship between Net sales and Net profit.

**9.2 Suggestions**

**9.2.1 For improving capital structure Management**

- An optimum capital structure of a company should be the combination of debt and equity which may lead the firm to the maximum value of it. The NRB Bearings Company Limited has designed a sound capital structure keeping in view solvency, desire of control, flexibility and trade off between risk and profitability as the equity capital dominated throughout the period under study. It has set an exemplary financial management practice concerning the capital structure management which will be helpful to other firms in
the industry for improving their capital structure management.

• The NRB Bearings Company Limited has built-up sufficient reserves and surplus which have increased from a figure of Rs 1092.66 lakhs in 1993-94 to 7887.76 lakhs (6.22 times) in 2002-2003. This is a wise as well as positive approach regarding the capital structure management. A company can have a permanent position effect on share prices only through a real change in the prospects of the company by expending production, product lines, sales or reducing the cost of production. This can be achieved by building up sufficient reserves and surplus since they are the convenient and cheapest source of internal financing. The NRB Bearings Company Limited is serving as a desirable model concerning the strategy of building up reserves and surplus which will be immense useful to other firms in the industry for improving their capital structure management.

• The solvency position of NRB Bearings Company Limited has been very sound since the firm employed a low debt in the capital structure. Hence the creditors of the company are protected or having margin of safety against their investment. This practice of employing a low debt in the capital structure relieves the burden of interest payments as
well as enhances the credit worthiness of the company. This will improve the financial performance, thereby enabling the company to raise funds in future to fight an unforeseen emergency. This is also a positive approach regarding the capital structure management of a company which averse risk. The NRB Bearings Company Limited is serving as an ideal model which will be helpful to other firms in the industry for improving their capital structure management.

- The foremost objective of financial management is to maximize the wealth of shareholders. But debt has not been exploited to the extent of optimum level so as to avail the benefit of trading on equity. Hence it is suggested that the finance manager of NRB Bearings Company Limited may use debt capital to the extent of standard norm of 2:1 or 1:1 to magnify the shareholder return. This will also help to avail tax advantages of debt since interest on debt finance is a tax deductible expenses which in turn enhance the profitability as well as the value of the firm.

9.2.2 For improving Fixed Assets Management

- Fixed assets management is one of the important aspects of financial management as it has long-term impact on earnings, dividends and share price value of the firm. The NRB Bearings Company Limited has been maintaining a
reasonable level of investment in fixed assets. This will lead to optimum level of production, sales and profits. This is a positive financial management practice concerning the maintenance of optimal level of investment in fixed assets. The NRB Bearings Company Limited is therefore serving as an ideal model regarding maintaining the desired level of investment in fixed assets which will be helpful to other firms in the industry for improving their fixed assets management strategy.

- The funds provided by the owners should be not only sufficient to finance fixed assets but also a part of working capital requirements. The long-term debt may be used to finance fixed assets in case the funds supplied by owners are not sufficient. The funds provided by the owners of NRB Bearings Company Limited are sufficient to finance fixed assets as well as a part of its working capital requirements. This is a positive financial management approach concerning the financing pattern of fixed assets. Hence the creditors of the company are well protected or having margin of safety against their investment. Further, the long-term funds of NRB Bearings Company Limited are sufficient to finance fixed assets as well as a part of its working capital requirements. This is another feather in the cap of financial
management concerning pattern of financing fixed assets. The NRB Bearings Company Limited is serving as an ideal model concerning the strategy of financing fixed assets which will be useful to other firms in the industry for improving their financing pattern of fixed assets.

• Fixed Assets should be managed efficiently. Otherwise, there will be idle capacity in the utilization of fixed assets which will lead to not only reduction of sales but also loss of profit. The investment in fixed assets of NRB Bearings Company Limited is excess in comparison to the volume of sales. They are not efficiently and profitably utilized. The company will have to adopt a large scale reorganization in order to overcome this situation. It is suggested that the company may expand the production, product lines to utilize the ideal capacity and improve the sales. It should try to find a new market for its products nationally and internationally so as to improve the sales.

• The NRB Bearings Company Limited has provided adequate depreciation as per the requirements of companies Act. This will enable the company to replace assets as well as to provide additional working capital. Depreciation is also deductible expenses in determining taxable income which
reduces the tax burden. This is a good financial performance concerning depreciation.

9.2.3 For improving Working Capital Management

- There is excess investment in current assets of NRB Bearings Company Limited. This means that there is excess working capital. This shows more liquidity than required but gives low profitability. Hence there has to be a trade-off between liquidity and profitability in deciding the size of current assets so as to maximize the shareholders return which is the foremost objective of financial management. The management may follow the strategy of 1) reducing the investment in current assets or increasing the current liabilities to the level at which the profitability will be the maximum and increase the volume of sales. The working capital requirements should be assessed properly keeping in view the necessity of the concern. This will help the management to avoid over-investment or under-investment in current assets. There is also a need to review the production and sales policies.

- Proper attention should be given to the management of each component of current assets to show a well-balanced proportion as to trade-off between liquidity and profitability. Excess or shortage of inventory adversely affect the operating
efficiency and income and therefore profit. Hence efforts should be taken by the management to reduce the inventories to the generally accepted norm of 55 per cent to 75 per cent of working capital. The management may follow the strategy to maintaining net sales at constant levels with a decreasing inventory or by increasing net sales on the same inventory and by reducing the inventory simultaneously. Various techniques of inventory control such as ABC, EOQ should be applied efficiently to avoid the over and under investment in inventories.

A firm should have a raising trend in the proportions of debtors which give declining liquidity but more profitability. So the proportion of debtors and inventory has to be judged together over a period of time to arrive at valid conclusions. The management must take efforts to reduce the proportion of debtors so as to achieve better turnover and profitability. Efforts should also be taken to increase the other components such as cash and bank balances and loans and advances to show a well balanced picture. Normally the proportions of cash balance to the total current assets should be 5 per cent to 10 per cent.

- The NRB Bearings Company Limited has been following the conservative financing policy which provides low profits and
low risk. The aggressive financing working capital policy provides high profits but high risks. Hence there is a need on the part of finance manager of NRB Bearings Company Limited to make better decisions concerning the working capital policy by trade-off between these two approaches so as to maximize the wealth of shareholders.

- The NRB Bearings Company Limited has been maintaining a very sound liquidity position more than required due to excess investment in current assets. This will reduce the profitability of the concern. It is therefore, suggested that the finance manager of NRB Bearings Company Limited should maintain strictly the general norms of current ratio and liquid ratio of 2:1 and 1:1 respectively so as to maintain adequate solvency position as well as profitability of the concern.

- The management of NRB Bearings Company Limited should take proper efforts to ensure study improvement in the efficiency of managing inventories, debtors and working capital by maintaining increasing trend in the turnover of inventories, debtors and working capital so as to improve the operating efficiency and thereby enhance the profitability of the concern.
9.2.4 For improving Dividend policy

- The profitability, the image of the company and the value of its shares in the capital market are the reflections of the dividend policy of a company. The NRB Bearings Company Limited has been adopting a liberal dividend policy. This is a positive management-approach towards payment of dividends as the interest of the shareholders are in favor of current dividends. This maximizes the value of shares in the capital market. This will also attract individuals as well as institutional investors such as IFCI, IDBI, LIC and UTL. They generally like to invest in shares of the company which have an uninterrupted pattern of dividends. The NRB Bearings Company Limited is serving as an ideal model concerning the dividend policy which will also be helpful to other firms in the industry for modifying their dividend policy.

However, the dividend policy has been slightly fluctuating. It should be stable. For this, earnings should be on increasing trend. Hence it is suggested that the finance manager should employ efficiently the managerial technique of planning and control of business operations known as Budgetary control. This will lead to optimum utilization of resources without any wastage. This will improve the
earnings, thereby enabling to improve the dividend policy stable.

9.2.5 For improving profitability

- Profitability is the earning power of the business concerns. It is related to how efficiently the investments made in various assets are managed. The profitability of NRB Bearings Company Limited has been in a better position. Hence the overall-efficiency of the company has been satisfactory. This would be useful to prospective investors who like to invest in shares so as to maximize their returns as it provides the evidence of the profitability of the company. The NRB Bearings Company Limited is acting as an exemplar of financial management practice concerning profitability which will be helpful to other firms in the industry for improving their overall efficiency.

However, the profitability of the NRB Bearings Company Limited has been slightly fluctuating. It should be on increasing trend. Hence it is suggested that the finance manager may employ the managerial techniques of planning and control known as Budgetary control and standard costing system effectively for controlling the cost of production, thereby enabling to improve further profitability.
9.2.6 Modeling for efficient financial management

- By using the positive relationships between, Net worth and Net fixed assets, Long-term funds and Total fixed assets, current liabilities and current assets, paid-up capital and dividends, Net profit and Net sales, Optimum models can be determined with the help of regression equations. These models will be immense useful to the management of capital structure, fixed assets, working capital, dividends and profitability efficiently.

9.2.7 Conclusion

- In the light of the foregoing analysis, it may be concluded that the financial management of NRB Bearings Company Limited in respect of capital structure policy, building up of reserves, maintaining the desired level of investment in fixed assets, dividend policy are good. But at the same time, the financial management as far as the trading on equity, efficiency of utilising fixed assets, working capital management are very poor which need more attention to improve these areas. The suggestions given above will be helpful to achieve a very sound financial management in NRB Bearings Company Limited as well as other firms in the industry so as to maximise the wealth of shareholders and thereby for the betterment of the Indian economy.
9.3 Suggestions for further research work

The present study attempts to present a comprehensive analysis of financial management in NRB Bearings Company Limited. But, there are a number of avenues of research hitherto untouched. It would be worthwhile to do meaningful further stimulating research in these areas.

Firstly, similar research can be undertaken for many companies in the bearing industry as the present study has restricted itself to the only one company in the bearing industry. This could provide a better picture regarding financial management.

Secondly, similar research can be undertaken for many companies in the manufacturing industries as well as service industries. This could provide a better insight for the improvement of financial management.

Thirdly, “Tax planning and its impact on profitability of NRB Bearings Company Limited” can be undertaken. This will help to avoid taxes which in turn enhances the profitability as well as the value of the firm.

Lastly, “Stock performance of NRB Bearings Company Limited” can be undertaken. Its empirical findings would be useful to investors who like to invest in shares so as to maximize their returns with less risk.